

Remarks Given by Lt. Governor Becky Skillman
TechPoint Breakfast
November 2nd, 2007, Indianapolis, IN

INTRODUCTION

Thank you, Jim, for that kind welcome. I'm delighted to be here.

It's great to be here with so many partners in progress. We're happy that each of you have found Indiana a great place to do business, and we're proud of the motivated, forward-thinking action you are taking to put our state at the forefront of new technologies.

Organizations, like yours, do not thrive without a solid commitment to excellence and diligence. And your hard work has paid off in tangible ways. Thanks to your advocacy and voice in the state house, small businesses and large corporations have incentives to take technology to the next level. From the certification of tech parks to the establishment of Regional Development Authorities, your work is helping us keep our economic momentum going.

ECONOMIC DEVELOPMENT

When the Governor and I assumed office we were faced with a huge state budget deficit and significant job loss. So, over the past 3 years, we have put an emphasis on balancing the budget, bringing new jobs and investments, and making state government leaner and more efficient.

Now Indiana is enjoying the benefits of a balanced budget. We turned a deficit into a surplus. We've been paying our debts, and reducing spending everywhere we can.

Negotiating new contracts, selling aircraft and vehicles we didn't need, and collecting delinquent taxes. You name it, we have asked state employees to do it. And as a result, we've saved taxpayers hundreds of millions of dollars. All of these factors led to an improved credit rating of AA+ for the first time in five years.

That improved credit rating has helped us attract a lot of new investment. 2006 was a banner year for job growth and investment. Our state closed 186 competitive projects and brought more than 22,000 new jobs to Hoosiers, in 2006 alone. And I might add that the average wage for these new jobs is about \$42 thousand a year.

We're working very hard to break last year's numbers. So far, in 2007, we've closed 115 projects worth more than \$2.7 billion in capital investment. These deals promise more than 16,000 new jobs for Hoosier workers. Out of the hundreds of projects we have closed in the past 3 years, nearly two thirds are with existing Indiana businesses that are choosing to expand here.

These days, when Indiana competes with other states for new jobs, we win 90 percent of the time. But we have a long way to go to reach the ultimate goal. We must continue to be aggressive and go after new opportunities.

We want to make our state the long-term choice for investors, and that means staying on the cutting edge of technology and providing businesses with the tools they need to prosper. We know state government can't create prosperity – but it can create the conditions where economic opportunity can flourish. That's what we're striving for – an environment where competition and innovation thrive.

We're doing our part in state government to achieve an economic comeback, but we would be far less successful if leaders like you weren't on board and working hard.

The Governor and I continue to participate in groundbreakings and new job announcements all over the state – events that point to our overall economic health. Those successes just go to show what the private sector can do when motivated to succeed.

State government can only do so much. We really only have the power to make your jobs easier. Individuals like you, with businesses and plans for growth, are the hands and feet of progress.

I hope you see state government as a helping hand to your work. We want to partner with you to achieve success. Our state's Economic Development Corporation is always looking to take the next step forward with you, and we have new tools. Whether that happens through our High Growth Fund – designed to attract more companies with high-skilled jobs to Indiana – or the 21st Century Research and Technology fund – we WANT to encourage high-tech research, and small business growth.

TECHNOLOGY

Since January 2005, more than 20 IT companies have chosen Indiana, either to expand here or to locate here. Those companies have committed to create more than 7,000 new jobs and invest 157 million dollars in our communities. Companies like IBM, Interactive Intelligence, AT&T, Baker Hill and ExactTarget are all key technology driven companies that are doing business in Indiana, and doing it well.

Indiana is known around the country and the globe now as a business-friendly state. Indiana is the MOST successful state in new foreign production jobs and second in R&D job creation. Our business taxes are among the lowest in the nation, and the cost of doing business in Indiana IS the lowest in the Midwest – and one of the lowest in America.

The Governor and I have pursued new opportunities abroad and at home, and we are constantly looking for new ways to help Hoosier businesses grow. Thanks to the help of the General Assembly, and many of you, we can now boast of a patent exemption for new technology. That exempts 50% of income earned from patents, for each of the first five years it exists, keeping the income, and the technology, right here at home.

Our 21st Century R&D fund has been refocused to help new technology driven companies thrive. It now funds innovative start-up companies that are helping to commercialize market-changing technologies. Since January 2006, the state has invested more than \$54 million in high-tech entrepreneurial ventures. Those businesses have used state funding to leverage an additional \$75 million in private funding for their companies, which are creating more than 5,800 new jobs. In addition, we continue to support research and development with tax credits. The current R&D tax credit for research expenses, frees up even more capital for innovation.

LOOKING FORWARD

All of these efforts are moving Indiana in the right direction. For the past two months, the state's unemployment numbers are the lowest they've been in the past six years—since September of 2001. And, all of the newly announced jobs are not here yet. The most recent report shows we have the lowest unemployment rate in the Midwest – at 4.6%. And we're constantly looking for ways to improve on that.

For the Governor and myself, that means pursuing every opportunity to grow. I know many of you share our global perspective on economic development. We've made our commitment to new trade partners pretty clear. You may have noticed the multiple trips we've taken abroad to expand business opportunities for Hoosiers.

I've led trade missions to Central America, Guatemala, Costa Rica, Panama, Taiwan and Vietnam, and the Governor recently returned from his third trade mission to Japan. He's traveled to Europe and Asia because he knows – as you do – that business is as big as you make it. We want Indiana's businesses to be able to compete in the global market. We're doing all we can to put our best foot forward.

And those new opportunities are coming in all different shapes and sizes, helping us to diversify our state's economy. This is the perfect opportunity for technology based companies to be an even stronger driver in our economy.

We can't rely on just one sector to keep us going. Yes, Indiana has been proud through the years to be the number one state in manufacturing jobs. But, we learned the hard way that relying too heavily on JUST one thing – manufacturing – we become far too dependent on it for our economic livelihood. That's why we've supported measures that fund life science research at our major universities, created grant programs for Technology Development, and pursued tax credits for technology-driven companies.

I want to thank you for the role you have played in helping us secure these important advancements for our state. This is a great time to do business in the Hoosier state, and an exciting time to do business in the technology sector.

PROPERTY TAXES

There are a lot of good things going on in Indiana these days, but we're concerned they're being overshadowed by one larger issue – what I like to call a perfect storm of

events. Property taxes have captured the attention of more citizens than any issue I remember in recent history. The perfect storm of events include the court order to assess property based on market prices, and the legislature repealing inventory taxes, and switching to annual reassessments or “trending.” Total local spending on schools, libraries, construction, and local government services has grown faster than taxpayers’ incomes. When this perfect storm happens, property taxes can ONLY go up.

But thankfully, we are on our way to finding a permanent solution. Last week, the Governor laid out his plan for a lasting answer to property tax relief and reform. We have a rare opportunity right now to solve a major problem without rehashing and revising every year. I believe this is a defining moment for Indiana. This is a moment when we can choose to continue the status quo, though we all know where that has gotten us, OR we can choose to adapt.

For many months, the Governor and our team have been studying all of the past approaches, as well as potential solutions. Over the past 35 years, state government, through the legislature, has tried to help out numerous times, and yet every few years, property taxes would be higher regardless.

The Governor and I are proposing a permanent cap on property taxes. Our plan would use a constitutional amendment to keep tax bills from going over 1% of the value of homes. That doesn’t mean that some homeowners’ bills would rise to 1% - that would be the ceiling. Residential rental property would be capped at 2% and business property at 3%. This will reassure all taxpayers that their bills will be predictable and reasonable. It will give small landlords a much-needed break, and it will put the business property tax cap in place a full year before it would have been available otherwise.

The state will pick up the costs of K-12 schools operating and transportation funds, and the state will also pay for child welfare programs in the counties. All of these burdens will come off of local property taxpayer’s statements.

Of course, this is a considerable additional expense for the state, so we’ve proposed a one penny sales tax increase. All Hoosiers pay sales tax. It’s based on consumption, and it is one of the fairest ways to pay for the shift, while keeping our economic growth going strong.

In the meantime, the Governor has also formed a Blue Ribbon Commission on Local Government Reform, including schools. The Commission is chaired by former Governor Joe Kernan, and Chief Justice of the Supreme Court, Randall Shepherd – two statesmen who want only the best for Hoosiers. Their report will come by the end of the year and will help shape our proposals for additional change.

I expect the legislature to spend a great deal of the upcoming session dealing with property tax reform. The Governor considers this to be “jump ball.” It all begins now. We are pleased there appears to be bi-partisan support to affect real change. The Governor knows there will be 150 sets of fingerprints on the plan (meaning

modifications) and that's okay. We do want the basic parameters to remain... Cut now, and cap forever.

CONCLUSION

While the property tax debate is likely to consume the bulk of discussion in 2008 session, that doesn't mean the work of economic development will take a back seat. As we look for solutions, we need to continue moving ahead as well.

Each of you are uniquely equipped to do that. You have the desire and the resources to create economic opportunity. When you take on the work of progress, you're doing something that not just any one can do. Your ventures – sometime adventures – make us prosper and bring us jobs!

So thank you for taking on that role. Business growth, economic development is ultimately in your hands. You are the people who care about the future of our communities and the future of our state. And you are the real reason our state will see a complete economic comeback.

Thanks for all you do – Thanks for having me here today.